

# ASIA TIMES

## Are you lining someone else's pocket?

RECENTLY we looked at the secret of successful planning. In order to be successful, this has to be combined with tight control and monitoring over a business's cash resources, by the implementation of stringent debt collection procedures and a thorough ongoing review of its cost structure.

In order to review the cost structure, it will be useful to take a step back as it is easy to become beset by the day-to-day problems which arise and therefore not have the time to assess and implement any new initiatives.

Each cost type should be reviewed and comparisons should be made to previous years and industrial averages. The following are some areas to look into:

### A) The 80/20 Principle:

It has been found that 80 per cent of a business's effort goes into providing 20 per cent of the results. If you are a manufacturer, then an option may be subcontracting, which will leave you free to concentrate on your core business. In addition, it may also enable you to concentrate on the marketing and design aspect of your work.

Several businesses have found that success arises when they have created a niche market for themselves and then concentrate

on exploiting the niche for all it is worth.

### B) Stock It?

For most businesses up to a quarter of the capital is tied up in stock, hence this is one of the most lucrative areas to implement a cost review strategy. Often obsolete or slow-moving stock has been built-up over a number of years and any review should first tackle this area. One possible stock control system is the Japanese philosophy of Just-In-Time, which is increasingly being applied by companies based in the UK. The review and implementation of a new system will not only enable a business to reduce or dispose of its obsolete and slow moving stock, but also to concentrate its efforts on a stock control and reduction policy for the average 20 per cent of its stock which accounts for 80 percent by value.

### C) Appealing your rates down

There are various ways the ratepayer can reduce his business rates. Firstly, the last bill should be reviewed and the ratepayer has to assess whether all exemptions and reliefs have been granted.

Secondly, ensure that the District Valuer has correctly identified the buildings occupied and that the rateable value is as low as possible.

Lastly, it is possible to make an appeal for a reduction, if there has been a change in circumstances. Hence, any new ratepayer can make an appeal within six months of the date that he or she became responsible for the rates. This also applies where there have been physical changes in the environment in which the business operates, which will affect its trade. Examples of change for a retailer are the retouring of traffic, a new Sainsbury's Superstore opening down the road, etc.

### D) Energy

We appear to be one of the least energy-efficient countries in Europe. Your local Department of Trade & Industry office has free booklets and information, which enable any business to implement a step by step program to reduce its energy costs.

### E) Bargains of the decade

Buying fixed assets now has never been easier and cheaper. The auction houses are full of both plant and machinery and office furniture which are now being disposed of for less than 10 per cent of the original purchase price.